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February 2002

SOCIAL SECURITY DISABILITY

Disappointing Results
From SSA's Efforts to
Improve the Disability
Claims Process
Warrant Immediate
Attention



G A O

Accountability * Integrity * Reliability

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| Abstract Two more initiatives the Hearings Process Improvement and the Appeals Council Process Improvement initiatives change the processes for handling appeals of claims denied by the DDS.Under the current process, if the DDS denies a claim,the claimant can request a hearing before an administrative law judge (ALJ)at an SSA hearings office.If the claim is denied at this hearing,the claimant may appeal to the next and final administrative review level in SSA,the Appeals Council.Both initiatives are designed to speed the decisions made by each of these units by introducing more efficient ways to handle appeals and to thereby reduce their backlogs of appealed claims.The fifth initiative,Quality Assurance, seeks to develop an approach to improve the method SSA uses to ensure the accuracy of its disability decisions.Quality Assurance affects the entire disability process. | | |
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| Abbreviations | |
| ALJ | administrative law judge |
| DDS | disability determination service |
| DI | Disability Insurance |
| OHA | Office of Hearings and Appeals |
| OQA | Office of Quality Assurance and Performance Assessment |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |



United States General Accounting Office
Washington, DC 20548

February 27, 2002

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

During the 1990's, the Social Security Administration (SSA) experienced a dramatic growth in the number of people applying for benefits from its two disability programs, Disability Insurance (DI) and Supplemental Security Income (SSI), which resulted in huge backlogs of undecided claims. Managing its caseloads and delivering high-quality service to the public in the form of fair, consistent, and timely eligibility decisions in the face of resource constraints became one of SSA's most challenging problems. To address this problem, SSA in the mid-1990's developed a long-term strategy to redesign its disability claims process. In the last 7 years, SSA has spent more than \$39 million¹ revising its strategy and testing and implementing initiatives designed to improve the timeliness, accuracy, and consistency of its disability decisions and to make the process more efficient and easier for claimants to understand. It spent an additional \$71 million during these years to develop an automated disability claims process intended to provide support for efforts to redesign the disability claims process.

Because of your concern about the long-standing problems in SSA's disability claims process, you asked us to review and report on the status of and results achieved to date from five initiatives to improve SSA's disability claims process. Two of SSA's initiatives—the Disability Claim Manager and the Prototype—attempt to improve the initial claims process. SSA's current disability claims process begins when an individual contacts one of SSA's field offices to apply for benefits. After the application is complete, a field office claims representative forwards it to a state agency

¹The \$39 million includes expenditures for contractor support, travel, transportation, equipment, supplies, services, and rent. It excludes personnel costs, most of which would have been incurred processing workloads regardless of redesign projects. It also excludes the costs incurred for all but one initiative tested or implemented after March 1999, when the Commissioner ended disability process redesign as a separate agency project.

known as the disability determination service (DDS). At the DDS, disability examiners and medical consultants review the available medical evidence and determine whether the claimant is disabled. If the DDS denies the claim, the claimant can appeal to have the DDS reconsider its initial denial. The Disability Claim Manager initiative attempts to make the initial part of the claims process more user friendly for claimants by creating a new position to explain the disability process and program requirements and to serve as claimants' primary point of contact on their claims. The manager performs the duties of both SSA field office claims representatives and state DDS disability examiners. The second initiative, the Prototype, attempts to ensure that all legitimate claims are approved as early in the process as possible by making substantial changes to the way the DDS processes initial claims. The Prototype requires disability examiners to more thoroughly document and explain the basis for their decisions and it gives them greater decisional authority for certain claims. The Prototype also eliminates the DDS reconsideration step.

Two more initiatives—the Hearings Process Improvement and the Appeals Council Process Improvement initiatives—change the processes for handling appeals of claims denied by the DDS. Under the current process, if the DDS denies a claim, the claimant can request a hearing before an administrative law judge (ALJ) at an SSA hearings office. If the claim is denied at this hearing, the claimant may appeal to the next and final administrative review level in SSA, the Appeals Council. Both initiatives are designed to speed the decisions made by each of these units by introducing more efficient ways to handle appeals and to thereby reduce their backlogs of appealed claims. The fifth initiative, Quality Assurance, seeks to develop an approach to improve the method SSA uses to ensure the accuracy of its disability decisions. Quality Assurance affects the entire disability process.

To examine these initiatives, we interviewed individuals from SSA and state DDSs responsible for planning and implementing these initiatives and reviewed documents they provided. We also interviewed SSA employees and union representatives affected by these changes. We did our work in accordance with generally accepted government auditing standards between May and December 2001.

Results in Brief

SSA has implemented four of the five disability claims process initiatives either nationwide or within selected geographic locations. As summarized below, the improvements realized through their implementation have, in general, been disappointing.

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- The Disability Claim Manager Initiative. This initiative was completed in June 2001. Results of the pilot test, which was done at 36 locations in 15 states beginning in November 1999, were mixed; claims were processed faster and customer and employee satisfaction improved, but administrative costs were substantially higher. An SSA evaluation of the test concluded that the overall results were not compelling enough to warrant additional testing or implementation of the Disability Claim Manager at this time.
 - The Prototype. This initiative was implemented in 10 states in October 1999 and continues to operate only in these states. Preliminary results indicate that the Prototype is moving in the direction of meeting its objective of ensuring that legitimate claims are awarded as early in the process as possible. Compared with their non-Prototype counterparts, the DDSs operating under the Prototype are awarding a higher percentage of claims at the initial decision level, while the overall accuracy of their decisions is comparable with the accuracy of decisions made under the traditional process. In addition, when DDSs operating under the Prototype deny claims, appeals reach a hearing office about 70 days faster than under the traditional process because the Prototype eliminates the reconsideration step in the appeals process. However, according to SSA, more denied claimants would appeal to ALJs under the Prototype than under the traditional process. More appeals would result in additional claimants waiting significantly longer for final agency decisions on their claims, and would increase workload pressures on SSA hearings offices, which are already experiencing considerable case backlogs. It would also result in higher administrative costs under the Prototype than under the traditional process. More appeals would also result in more awards from ALJs and overall and higher benefit costs under the Prototype than under the traditional process. Because of this, SSA acknowledged in December 2001 that it would not extend the Prototype to additional states in its current form. During the next several months, SSA plans to reexamine the Prototype to determine what revisions are necessary to decrease overall processing time and to reduce its impact on costs before proceeding further.
 - The Hearings Process Improvement Initiative. This initiative was implemented nationwide in 2000. The initiative has not improved the timeliness of decisions on appeals; rather, it has slowed processing in hearings offices from 318 days to 336 days. As a result, the backlog of cases waiting to be processed has increased substantially and is rapidly approaching crisis levels. The initiative has suffered from problems associated with implementing large-scale changes too quickly without

resolving known problems. SSA is currently studying the situation in hearing offices to determine what changes are needed.

- The Appeals Council Process Improvement Initiative. This initiative was implemented in fiscal year 2000 and has resulted in some improvements. While it fell short of achieving its goals, the time required to process a case in the Appeals Council has been reduced by 11 days to 447 days and the backlog of cases pending review has been reduced from 144,500 (fiscal year 1999) to 95,400 (fiscal year 2001). Larger improvements in processing times were limited by, among other things, automation problems and policy changes.
- The Quality Assurance Initiative. SSA's original (1994) plan to redesign the disability claims process called for SSA to undertake a parallel effort to revamp its existing quality assurance system. However, because of considerable disagreement among internal and external stakeholders on how to accomplish this difficult objective, progress has been limited to a contractor's assessment of SSA's existing quality assurance practices. In March 2001, the contractor recommended that SSA adopt a broader vision of quality management, which would entail a significant overhaul of SSA's existing system. SSA established a work group to respond to the contractor report, but no specific proposals have yet been submitted to the Commissioner for approval.

We make recommendations in this report that SSA take immediate steps to reduce the backlog of appealed cases in the Office of Hearings and Appeals (OHA). SSA should also develop a long-range strategy for a more permanent solution to the backlog and efficiency problems at OHA, as well as develop an action plan for implementing a more comprehensive and sophisticated Quality Assurance Program. SSA agreed with our observations and recommendations. The agency stated that our recommendations support programmatic changes under discussion and provide SSA with the necessary latitude to implement them.

Background

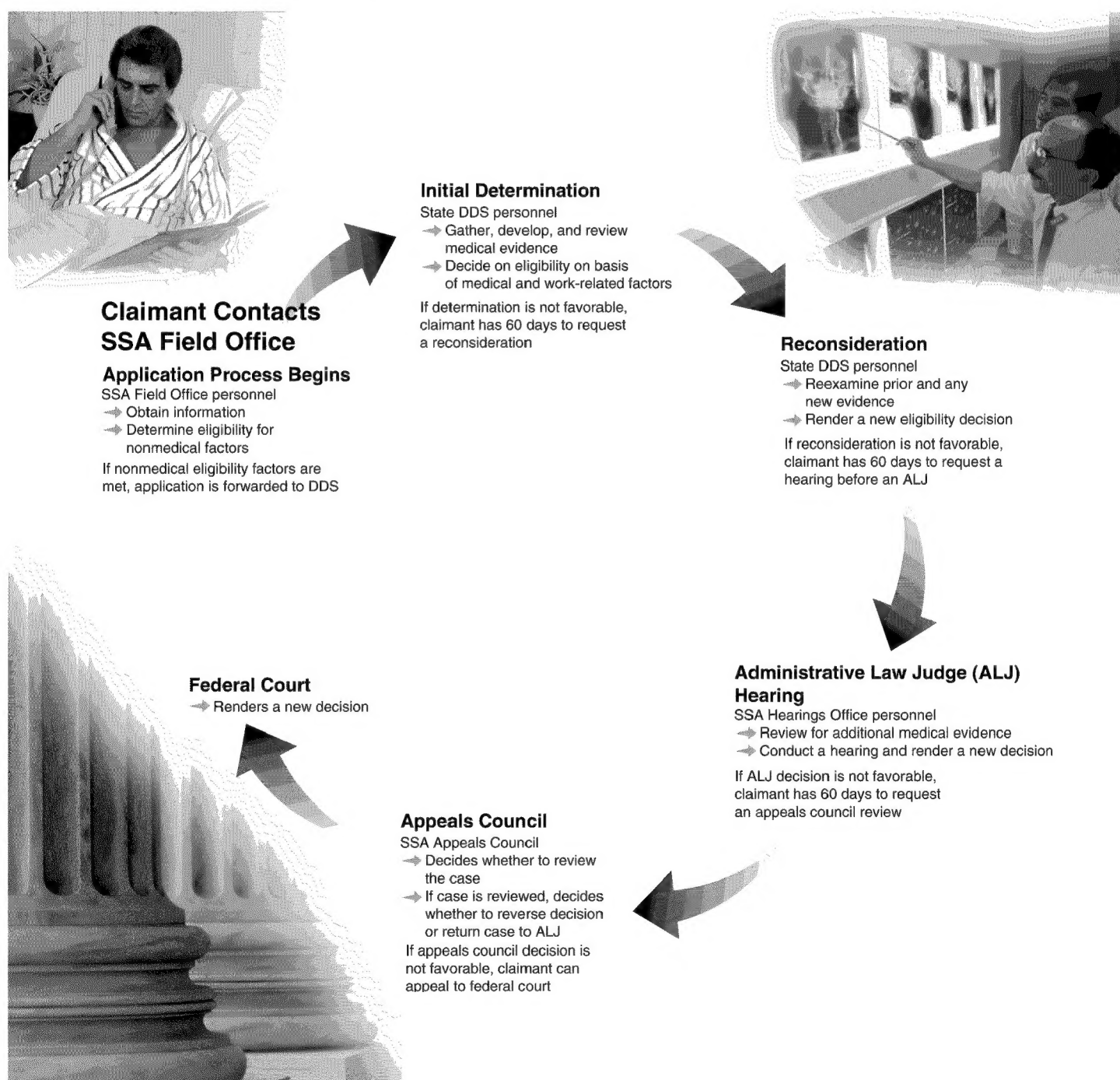
DI and SSI provide cash benefits to people with long-term disabilities. While the definition of disability and the process for determining disability are the same for both programs, the programs were initially designed to

serve different populations.² The DI program, enacted in 1954, provides monthly cash benefits to disabled workers—and their dependents or survivors—whose employment history qualifies them for disability insurance. These benefits are financed through payroll taxes paid by workers and their employers and by the self-employed. In fiscal year 2001, more than 6 million individuals received more than \$59 billion in DI benefits. SSI, on the other hand, was enacted in 1972 as an income assistance program for aged, blind, or disabled individuals whose income and resources fall below a certain threshold. SSI payments are financed from general tax revenues, and SSI beneficiaries are usually poorer than DI beneficiaries. In 2001, more than 6 million individuals received almost \$28 billion in SSI benefits.

The process to obtain SSA disability benefits is complex and fragmented; multiple organizations are involved in determining whether a claimant is eligible for benefits. The current process consists of an initial decision and up to three levels of administrative appeals if the claimant is dissatisfied with SSA's decision. Each level of appeal involves multistep procedures for evidence collection, review, and decision-making. Figure 1 shows the process, parts of which are required by law.

²The Social Security Act defines disability for adults as an inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Figure 1: SSA's Disability Claims Process



Source: SSA documents.

The disability claims process begins when a claimant applies for disability benefits, generally at one of SSA's 1,300 field offices across the country, where a claims representative determines whether the claimant meets financial and other program eligibility criteria; they also obtain information about the claimant's impairments, including sources of medical and vocational information. If the claimant meets the financial and other program eligibility criteria, the claims representative forwards the claim to the federally funded but state-administered DDS in the state where the claimant lives. DDS staff obtain evidence about the claimant's impairment, and a team consisting of a specially trained disability examiner and an agency medical consultant reviews the medical and vocational evidence and determines whether the claimant is disabled. The claimant is notified of the medical decision, and the claim is returned to the field office for payment processing or file retention. This completes the initial claims process.

Claimants who are initially denied benefits can ask to have the DDS reconsider its initial denial. If the decision at this reconsideration level remains unfavorable, the claimant can request a hearing before a federal ALJ at an SSA hearings office, and, if still dissatisfied, the claimant can request a review by SSA's Appeals Council. Upon exhausting these administrative remedies, the individual may file a complaint in federal district court. Given its complexity, the disability claims process can be confusing, frustrating, and lengthy for claimants. Many individuals who appeal SSA's initial decision will wait a year or longer for a final decision on their benefit claims.

The claims process can also result in inconsistent assessments of whether claimants are disabled; specifically, the DDS may deny a claim that is later allowed upon appeal. Over the years, as many as three-fourths of all claimants denied at the DDS reconsideration level filed an appeal and, of these, about two-thirds or more received favorable decisions at the hearings level. Program rules—such as claimants' ability to submit additional evidence and to allege new impairments upon appeal—and the worsening of some claimants' condition over time can explain some but not all of the overturned cases. In some cases, the inconsistency may be due to inaccurate decisions. SSA believes that DDSs generally make more errors on denials than on awards, while ALJs generally make more errors on awards than on denials.

To address these concerns, SSA in 1994 set forth an ambitious plan to redesign the disability claims process. The overall purpose of the redesign was to

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- ensure that decisions are made quickly,
 - ensure that the disability claims process is efficient,
 - award legitimate claims as early in the process as possible,
 - ensure that the process is user friendly for claimants and those who assist them, and
 - provide employees with a satisfying work environment.

The 1994 plan represented SSA's first effort to significantly revise its procedures for deciding disability claims since the DI program began in the 1950's. In April 1994, we testified that the redesign proposal was SSA's first valid attempt to address major fundamental changes needed to realistically cope with the disability claims workload. We cautioned SSA, however, that many difficult implementation problems would need to be addressed.³ These included new staffing and training demands, development and installation of technology enhancements, and confrontation with entrenched cultural barriers to change.

Since 1994, SSA has made several adjustments to its redesign plan, some of them in response to concerns we expressed over the years about SSA's lack of progress. In 1996, we reported that SSA's original 6-year plan was overly ambitious.⁴ At that time, SSA had made little progress toward meeting its goals, lacked demonstrable results, and faced difficulties obtaining and keeping the support of some stakeholders, including federal employees and state DDS managers and employees. SSA then issued a scaled-back redesign plan in 1997 focusing on testing and implementing eight key initiatives—each representing a major change to the system—within 9 years instead of the original 6 years. In 1999, we again reported that SSA had made little progress; despite being scaled back, the effort proved too large to keep on track.⁵ We recommended that the agency further focus its efforts on the most promising initiatives, including those that would improve the quality and consistency of its disability decisions and test promising concepts at only a few sites before moving to large-scale testing or implementation. SSA again revised its plans in 1999 and

³U.S. General Accounting Office, *Social Security Administration: Major Changes in SSA's Business Processes Are Imperative*, GAO/T-AIMD-94-106, (Washington, D.C.: Apr. 14, 1994).

⁴U.S. General Accounting Office, *SSA Disability Redesign: Focus Needed on Initiatives Most Crucial to Reducing Costs and Time*, GAO/HEHS-97-20, (Washington, D.C.: Dec. 20, 1996).

⁵U.S. General Accounting Office, *SSA Disability Redesign: Actions Needed to Enhance Future Progress*, GAO/HEHS-99-25, (Washington, D.C.: Mar. 12, 1999).

2001.⁶ These plans reflect the agency's commitment to (1) further test ways to streamline the claims process, (2) take additional steps to enhance the quality and consistency of decisions, and (3) introduce new initiatives that focus on the appeals process. This report focuses on five initiatives found in SSA's latest revisions.

During this same period, the Social Security Advisory Board also raised concerns about some of SSA's proposed process changes and about the amount of time and resources the agency had invested in changes that resulted in minimal gains.⁷ More importantly, the Board raised concerns about certain systemic problems that can undermine the overall effectiveness of SSA's claims process, which by extension can also undermine the effectiveness of SSA's redesign efforts.⁸ The Board found that SSA's fragmented disability administrative structure, created nearly 50 years ago, is ill-equipped to handle today's workload. The Board focused on a number of areas, including

- the lack of clarity in SSA's relationship with the states and the resulting variation among states in areas such as salary, hiring requirements, and the quality of decisions, and
- an outdated hearing process fraught with tension and poor communication between SSA and the ALJs.

The Board recommended, among other things, that SSA (1) work to strengthen the current federal-state relationship in the near-term and revisit its overall relationship with the states, (2) assert its authority to

⁶See Social Security Administration, Office of the Commissioner, *Social Security and Supplemental Security Income Disability Programs: Managing for Today, Planning for Tomorrow* (Baltimore, Md.: SSA, Mar. 11, 1999), and Social Security Administration, Office of the Commissioner, *Managing Social Security Disability Programs: Meeting the Challenge* (Baltimore, Md.: SSA, Jan. 10, 2001). Beginning in March 1999, SSA's plan to improve the disability claims process was incorporated into the agency's broader plans to better manage its disability programs. Disability redesign was no longer a separate agency project.

⁷The Board is an independent, bipartisan Board created by the Congress and approved by the President and the Congress. Its purpose is to advise the President, the Congress, and the Commissioner of Social Security on matters related to SSA's programs.

⁸See Social Security Advisory Board, *How SSA's Disability Programs Can Be Improved* (Washington, D.C.: SSAB, Aug. 1998); Social Security Advisory Board, *Selected Aspects of Disability Decision Making* (Washington, D.C.: SSAB, Sept. 2001); and Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (Washington, D.C.: SSAB, Jan. 2001).

require states to follow specific federal guidelines, (3) take steps to improve SSA's relationship with its ALJs while also clarifying SSA's authority to take steps to improve the timelines and consistency of ALJ disability decisions, (4) consider whether the agency should be represented at disability hearings (it currently is not), (5) consider closing the case record after the ALJ hearing, and (6) revisit the need for changes in the current provisions for judicial review by federal courts. Most of these changes are linked to significant structural reforms or the need to clarify management's authority, and some may require legislative changes. The Board's recommendations are different from the largely procedural or process changes that often typify SSA's redesign efforts.

Disability Claim Manager Test Results Do Not Support Implementation

SSA tested the Disability Claim Manager position in 36 locations in 15 states from November 1999 through November 2000.⁹ In June 2001, SSA ended the initiative. SSA concluded that the test results were not compelling enough to support implementing the disability claim manager position. While the test resulted in several benefits, such as improved customer and employee satisfaction and quicker claims processing, the increased costs of the initiative and other concerns convinced SSA not to proceed with the initiative.

The Disability Claim Manager initiative was designed to make the claims process more user friendly and efficient by eliminating steps resulting from numerous employees handling discrete parts of the claim. It did so by having one person—the disability claim manager—serve as the primary point of contact for claimants until initial decisions were made on their claims. The managers were responsible for explaining the disability process and program requirements to the claimants and for processing both the medical and nonmedical aspects of their claims, responsibilities normally divided between SSA's field office claims representatives and state DDS disability examiners. Both SSA and DDS employees served as

⁹This formal testing phase was preceded by an earlier phase that began in November 1997 and ended in June 1999, and was focused on training disability claim managers and enabling them to master the new position's responsibilities. Both phases excluded claims for SSI children's benefits.

disability claim managers during the test, and each manager performed both claims representative and disability examiner functions.¹⁰

In October 2001, SSA issued its final report evaluating the initiative. SSA found the results of the initiative to be mixed. On the positive side, SSA concluded that those SSA and DDS employees who participated in the test could master the expanded responsibilities required of the disability claim manager position, and the initiative appears to have met its goal of making the claims process more user friendly and efficient without compromising the accuracy of decisions. Specifically, SSA found that the initiative resulted in the following benefits:

- Greater customer satisfaction. Claimants served by disability claim managers reported greater satisfaction than claimants served under the traditional process. While customer satisfaction was comparable among awarded claimants—94 percent served by disability claim managers reported they were satisfied with SSA’s service, compared with 91 percent of those served under the traditional process¹¹—the difference in customer satisfaction was greater for denied claimants. More than two-thirds (68 percent) of denied claimants served by disability claim managers reported overall satisfaction with SSA’s service, compared with just over half (55 percent) of denied claimants served under the traditional process.
- Faster claims processing. Disability claim managers processed DI claims an average of 10 days faster and SSI claims an average of 6 days faster than similar claims processed under the traditional process.¹²

¹⁰Because the disability claim manager position combines federal and state responsibilities, it was necessary to obtain agreements among SSA, DDS, and American Federation of Government Employees union officials to conduct the test. These agreements expired with the end of the test.

¹¹The difference in customer satisfaction among awarded claimants in the two groups was not statistically significant.

¹²Figures reflect the median processing time. Processing time was measured from the application date (or protective filing date) to either the date of the denial notice or the date the system completes processing an award. The protective filing date refers to the date an intent to file benefits is made known to SSA, provided an application is subsequently received. Disability claim manager test sites’ ability to control their volume of claims was one of a number of factors that may have affected the processing time test results. However, SSA could not determine this factor’s effect on processing time.

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- Comparable accuracy. The test showed that the accuracy of decisions made by disability claim managers was comparable to the accuracy of decisions made by others on similar claims.¹³
 - Improved employee satisfaction. Serving as a disability claim manager improved the job satisfaction of more than 80 percent of employees serving in that role. Employees cited several factors for their job satisfaction, namely, their increased control over the claim, their greater interaction with the claimant, their enhanced job knowledge, and their ability to provide better customer service. Federal employees also cited their increased pay as a factor in their increased job satisfaction.¹⁴

The Disability Claim Manager initiative provided additional benefits as well, such as improving understanding between SSA and DDS employees, according to SSA's evaluation of the initiative. Training each organization's staff in the others' functions not only helped to identify training needs, but it also improved communication between the two organizations and increased their awareness of, and appreciation for, the other.

SSA also assessed the initiative's impact on the percentage of claimants awarded benefits, productivity, and costs. While the test results on award rates and productivity were inconclusive, the test results on costs showed that the Disability Claim Manager initiative substantially raised costs. Specifically, SSA found the initiative had the following results:

- Higher claims processing costs. SSA estimated that claims processing costs were 7 percent to 21 percent higher under the Disability Claim Manager initiative than under the traditional process.¹⁵ The costs for salaries and for obtaining medical evidence, including consultative examinations performed by DDS-paid physicians or psychologists,

¹³The accuracy rate of medical decisions made by disability claim managers on denied cases—90.1 percent—fell below the regulatory threshold of 90.6 percent. It was, however, statistically comparable to the accuracy rate of decisions made on the control group of claims—93.3 percent.

¹⁴SSA staff selected for the disability claim manager position received temporary promotions; only some DDS employees selected as disability claim managers received temporary promotions.

¹⁵Costs-per-claim estimates include Disability Claim Manager-related staff time, salary, support provided by other SSA and DDS components, costs of obtaining claimants' medical records and consultative examinations, and productivity levels.

were higher under the Disability Claim Manager initiative than under the traditional process. Because of these higher costs, SSA concluded that claims processing costs would continue to be higher under the initiative even if productivity—the amount of claims processed per staff year—improved.¹⁶

- Substantial start-up and maintenance costs. In addition to the higher claims processing costs, SSA experienced substantial start up costs to train SSA and DDS employees to function as disability claim managers and to develop an infrastructure to support the new claims process. SSA also determined that it would cost more to maintain the staff skills and the infrastructure required by the Disability Claim Manager initiative. SSA did not quantify the initiative's start-up and extra maintenance costs.

SSA's evaluation concluded that the benefits of implementing the Disability Claim Manager initiative were not compelling enough to warrant its implementation. The primary consideration in reaching this conclusion was that the initiative would require major resource investments in higher operational costs, training, and infrastructure. But other factors also played a part. For example, SSA officials were concerned about the initiative's effect on the long-standing relationship between SSA and the DDSs. Implementing the Disability Claim Manager initiative beyond the test would require legislation and regulatory changes to permit federal employees to determine medical eligibility and to permit state employees to determine nonmedical eligibility. The significant pay disparities between the federal and state employees performing the same functions as Disability Claim Managers also would need to be addressed. Because SSA employees who served as Disability Claim Managers received temporary promotions, they were generally paid at a higher rate than their DDS counterparts, only some of whom received promotions during the test. SSA officials were also concerned about the agency's lack of progress in developing an automated disability claims process, which was expected to support the Disability Claim Manager initiative. According to SSA, such a system is still years away.

¹⁶SSA's methodology for estimating claims processing costs and productivity is extremely complex. For a complete explanation of SSA's methodology, see Social Security Administration, Office of the Commissioner, *Disability Claim Manager Final Evaluation Report* (Baltimore, Md.: SSA, Oct. 2001).

Prototype Results Are Promising, But Impact on Public Service and Costs is a Major Concern

The Prototype was implemented in October 1999 in DDSs in 10 states and will continue to operate in these states in its current form no later than June 2002. The participating DDSs process 25 percent of all initial disability claims. Preliminary results, which are based on DDS decisions, indicate that claimants receive benefits earlier from DDSs operating under the Prototype; DDSs operating under the Prototype award as many claimants at the initial level as other DDSs operating under the traditional process award at the initial and reconsideration levels combined, without compromising the overall accuracy of their decisions. In addition, because the Prototype eliminates the reconsideration step of the appeals process, appeals of claims denied under the Prototype reach hearing offices quicker than claims denied under the traditional process. However, according to SSA, many more denied claimants would appeal to ALJs under the Prototype than under the traditional process. More appeals would result in additional claimants waiting significantly longer for final agency decisions on their claims and would increase workload pressures on SSA hearing offices, which are already experiencing considerable case backlogs. It would also result in higher administrative costs under the Prototype than under the traditional process. More appeals would also result in more awards from ALJs and overall and higher benefit costs under the Prototype than under the traditional process.

Because of this, SSA acknowledged in December 2001 that it would not extend the Prototype to additional states in its current form. During the next several months, SSA plans to re-examine the Prototype to determine what revisions are necessary to decrease overall processing time and reduce its impact on costs before proceeding further.

The Prototype's objective is to improve the disability claims process by ensuring that legitimate claims are awarded as early in the decision process as possible, thereby improving the fairness, consistency, and timeliness of SSA's disability claims process. Toward that end, the Prototype initiative changes the way DDSs process disability claims, with the expectation that the changes would reduce the number of awards made at the ALJ level. The Prototype makes the following changes in the way DDSs determine disability. The Prototype:

- Grants greater decision-making authority to disability examiners. The disability examiner has the authority to decide when and how to use medical consultants' expertise in some cases. The disability examiner

is allowed to independently decide claimants' eligibility for benefits without the medical consultant certifying the decision unless the law mandates otherwise.¹⁷ This change contrasts with the traditional process, in which the medical consultant signs off on all decisions. The new process is intended to maximize agency resources by focusing the attention of medical consultants on those claims for which their professional training and expertise is most needed.

- Requires enhanced documentation and explanation of decisions in the claims file. The disability examiner is required to develop evidence on claims more thoroughly and to better explain how the disability decision was made. This improvement is intended to enhance the quality of DDS decisions. This improvement also is intended to enhance the consistency between DDS and ALJ decisions by making the DDS explanation more useful to ALJs when claimants appeal DDS decisions to deny benefits.
- Adds a claimant conference. If the existing evidence in the claimant's file would not support a fully favorable decision, the disability decision-maker is required to offer the claimant an opportunity to submit additional evidence and to have a personal interview with the decision-maker before a decision is made.¹⁸
- Eliminates DDS reconsideration. The reconsideration step in the administrative appeal process is eliminated. This streamlines the disability claims process by allowing dissatisfied claimants the opportunity to appeal directly to an ALJ.

To assess the Prototype initiative, SSA is tracking its effect on claims through the ALJ appeal level by comparing a sample of claims processed under the Prototype with a sample of claims processed under the traditional process by a comparison group of similar DDSs. The sample of Prototype claims was selected from applications filed from January

¹⁷Medical consultants are required by statute to certify all SSI childhood disability claims and all less than fully favorable decisions on DI and SSI claims involving an indication of a mental impairment.

¹⁸Claimant conferences are not offered in cases where the claimant has moved and cannot be located, refuses to cooperate, or other similar situations.

through March 2000; the sample of comparison group claims was selected from applications filed from December 1999 through February 2000.¹⁹

In July 2001, SSA issued an interim report describing preliminary results as of May 18, 2001. As of that date, initial DDS decisions had been completed on virtually all Prototype and comparison group claims; reconsideration decisions had been completed on 95 percent of comparison group claims for which reconsideration had been requested so far; and ALJ hearing decisions had been completed for less than half of the Prototype and comparison group claims appealed so far. More requests for reconsideration were still expected, as were more requests for hearings, especially for the comparison group. SSA cautions that the claims that have completed processing do not have the same characteristics as those that take longer to be processed; therefore, final results cannot be fairly projected. Also, because these results are preliminary, SSA has not yet completed its analysis to determine whether the differences between the Prototype DDSs and comparison group DDSs are statistically significant.²⁰ Thus, it is too early to reach final conclusions about the impact of the Prototype. However, as shown in the following section, preliminary results are somewhat promising.

- Claims awarded earlier in the process. Under the Prototype, DDSs are awarding more claims earlier than under the traditional process. DDSs operating under the Prototype awarded benefits to 40.4 percent of initial claimants, while DDSs operating under the traditional process awarded benefits to 35.8 percent of initial claimants and to 39.8 percent of claimants at the initial and reconsideration levels combined.²¹ Thus, the Prototype awarded benefits to slightly more claimants in one step than the traditional process awarded in two. SSA estimates that under the Prototype, claimants received awards about 135 days sooner than claimants awarded benefits at reconsideration under the traditional process.

¹⁹The comparison group claims were chosen from applications filed 1 month earlier than the Prototype group claims because appealed comparison group claims go through the reconsideration step of the appeals process and the Prototype claims do not. The earlier month helps to reduce the delay in getting data from the comparison group, due to the extra time the reconsideration step adds for denied claimants who appeal.

²⁰Because the Prototype DDSs and the comparison group DDSs are not identical, further analysis must be done to account for known differences in the two groups in order to assess the true differences between the two processes.

²¹Data on reconsiderations are incomplete for the comparison group; therefore, the combined initial and reconsideration award rate for this group is not final.

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- Comparable accuracy. The accuracy of decisions made on initial claims by DDSs operating under the Prototype was comparable to the accuracy of decisions made by the comparison DDSs operating under the traditional process, despite the fact that only DDSs operating under the Prototype had to learn new procedures.²² While the accuracy rate on awarded claims was slightly lower in DDSs operating under the Prototype than in the comparison group of DDSs operating under the traditional process (96.6 percent vs. 97.1 percent), the accuracy rate on denied claims—on which DDSs have historically made more errors than on awards—was slightly higher under the Prototype (92.4 percent vs. 91.9 percent). The overall accuracy rate (awards and denials combined) was also slightly higher under the Prototype (94.1 percent vs. 93.8 percent).
 - Initial claim decisions take longer; some final decisions may be quicker. As shown in table 1, overall it takes an average of 14 days longer for DDSs to process an initial claim decision under the Prototype (100 days vs. 86 days) than under the traditional process. Most of this increase appears due to the addition of the claimant conference under the Prototype, which is not part of the traditional process. This is evidenced by the fact that processing time for initial claims was about the same for awards under the traditional process and under the Prototype when no claimant conference was held (79 days vs. 80 days). Adding the claimant conference to the initial DDS decision process affords claimants who would otherwise be denied benefits an opportunity to present additional evidence and to have a personal interview with the decision-maker before a decision is made on their initial claims. The information presented during the conference can convince the DDS to award benefits or to reaffirm the denial. Moreover, the conference can help to improve the quality and quantity of evidence contained in the file, which can be useful if the case is appealed to an ALJ.

²²To measure accuracy, SSA's Office of Quality Assurance and Performance Assessment (OQA) reviewed a sample of claims decided by both Prototype and comparison DDSs. During these reviews, claims were returned to DDSs when the evidence in the case file convinced OQA that the DDS made the incorrect decision as to whether the claimant was disabled or when the case file did not contain enough documentation to support the decision and the missing evidence if obtained might reverse the decision. SSA considers these "performance accuracy errors." SSA's interim report provided information on the percentage of claims returned to DDSs. We calculated the accuracy rates cited by subtracting the percentage of claims returned to DDSs from 100 percent.

Table 1 compares the number of days it takes DDSs to process initial claims under the Prototype vs. the traditional process.

Table 1: DDS Processing Time for Initial Claims Under the Prototype vs. the Traditional Process

| Type of Claim | Prototype Process (days) | Traditional Process (days) |
|-----------------------------|--------------------------|----------------------------|
| Awards | | |
| Without claimant conference | 80 | 79 |
| With claimant conference | 134 | Not applicable |
| Denials | 110 | 90 |
| All claims | 100 | 86 |

Source: SSA Disability Prototype Interim Report

While initial claim decisions take longer under the Prototype, final decisions on appealed claims may take less time. Specifically, when the claimant conference results in a decision to deny benefits, eliminating reconsideration should enable claimants who appeal their denials under the Prototype to receive quicker decisions on their appeals than those claimants who appeal their denials under the traditional process. Even though it takes about 20 days longer to process initial decisions on denied claims under the Prototype (110 days vs. 90 days), eliminating the DDS reconsideration step of the appeals process results in appeals reaching ALJs about 70 days quicker than they would under the traditional process, according to SSA.

When the claimant conference results in a decision to award benefits, claimants receive benefits sooner than they would have under the traditional process. As table 1 shows, when a claimant conference is held, DDSs operating under the Prototype take 55 days longer than comparison DDSs operating under the traditional process to make initial award decisions (134 days minus 79 days). However, under the traditional process—with no claimant conference—these claimants would have been denied benefits; the earliest they could receive an award decision under the traditional process would be after reconsideration. Because the reconsideration decision would take about 135 days, according to SSA, the claimant receives an award decision and his or her benefits about 80 days quicker under the Prototype (the 135 days saved by forgoing reconsideration minus the 55 days added for processing claims when a claimant conference is held). Under the Prototype, about 3 out of 100 claimant conferences result in awards, according to SSA.

Despite these promising results, the Prototype's impact on customer service and costs has become a major concern to SSA. Since the interim report was issued, more claims have been processed through the ALJ level, and these results have convinced SSA that both administrative and benefit costs would be substantially higher under the Prototype if the initiative were expanded to other states in its current form. Although the rate of awards at the ALJ level is lower under the Prototype than under the traditional process, SSA estimates that about 100,000 more denied claimants would appeal to the ALJ level under the Prototype. Because of this, additional claimants would wait significantly longer for final agency decisions on their claims. This would further increase workload pressures on SSA hearings offices, which are already experiencing considerable case backlogs. The additional appeals are also expected to result in more awards from ALJs and overall under the Prototype than under the traditional process. SSA told us in December 2001 that the agency would not expand the Prototype to additional states in its current form. Instead, it published a notice in the Federal Register on December 28, 2001, extending the Prototype in the existing 10 states for no longer than 6 months. During the upcoming months, SSA will determine what revisions it can make to the Prototype to decrease overall processing time and to reduce its impact on costs before proceeding further.

Hearings Process Improvement Initiative Implemented Nationwide; Desired Benefits Were Not Achieved

The Hearings Process Improvement initiative has been implemented and is currently operating in all 138 hearing offices. The initiative was implemented in hearing offices in phases, without a test, and was operational nationwide by November 2000. The initiative has not reduced the time required to process a claim; rather, processing has slowed considerably. In addition, the backlog of cases waiting to be processed has increased and is rapidly approaching crisis levels.

The Hearings Process Improvement initiative was intended to improve customer service by reducing the time it takes to get a decision on an appealed claim. To reach this end, the initiative introduced changes designed to ensure efficient case processing. This was to be accomplished by increasing the level of analysis and screening done on a case before it is scheduled for a hearing with an ALJ. In addition, the initiative reorganized hearing office staff into small groups, called "processing groups," to ensure better accountability and control in the handling of each claim. Finally, SSA was to launch automated functions that would facilitate the monitoring of cases through the hearings process. These changes were expected to reduce the time it takes to process cases. In addition, the changes were expected to improve employee job satisfaction and foster a cooperative work environment.

SSA intended to split its 138 hearing offices into three groups to implement the initiative in one group at a time so that the required changes did not occur in all hearing offices simultaneously. Phase one included over one-quarter of all hearing offices; these offices fully implemented the initiative between January and April 2000. Phases two and three, comprising the remaining hearing offices, were scheduled to begin in October 2000 and January 2001, respectively. However, phase three was implemented early, in anticipation of expected workload increases, at the same time as phase two in October 2000. As a result, all hearing offices had implemented the initiative by November 2000.

The results of the Hearings Process Improvement initiative have been disappointing for SSA. The initiative has not reduced the time it takes to approve or deny an appealed case. Rather, the initiative has added 18 days to the time required for a decision in an appealed claim. In September 2001, after the initiative was implemented, processing time in hearings offices was 336 days, up from 318 days in September 1999. As a result of this increase, the initiative failed to achieve its fiscal year 2001 processing time goal of 208 days. Processing time in phase one hearing offices is not better than phase two and three hearing offices.²³

In addition, the number of appealed cases processed has decreased since the initiative's implementation. In fiscal year 1999, 597,000 cases were decided; in fiscal year 2001, this number had decreased 22.1 percent to 465,228 cases. Fewer cases being decided has led to a growth in the backlog of cases pending a decision. Before the initiative was implemented, 311,958 cases were pending a decision in September 1999. Two years later, in September 2001, the number of appealed cases pending a decision had increased 39.7 percent to 435,904. During this time, the number of cases received by hearing offices had increased by only 5.7 percent. Therefore, increased workload could be, at most, only a small part of the explanation for the growth in backlog.

The failure of the Hearings Process Improvement initiative is, in part, the result of attempts to implement large-scale changes too quickly without resolving known problems. Problems—process delays, poorly timed and insufficient staff training, and the absence of important automated

²³Phase one hearing offices' processing time per appealed claim increased from 314 (Sept. 1999) to 339 days (Sept. 2001). Phases two and three hearing offices' processing time per appealed claim increased from 319 (Sept. 1999) to 335 days (Sept. 2001).

functions—that surfaced during phase one of implementation were not resolved before additional phases were implemented. Instead, the pace of implementation was accelerated when phases two and three were implemented simultaneously.²⁴

The Hearing Process Improvement initiative experienced the first problem, process delays, during phase one of implementation. The organization of case evidence (referred to as “case pulling”) slowed and as a result reduced the number of case files ready for ALJ review. A decrease in the number of case files for ALJs to review consequently reduced the number of cases that could be scheduled for a hearing and decided upon. This case-pulling backlog was due to changes in staff responsibilities and promotions that were a result of the initiative. These changes created a void of experienced staff to organize and prepare case files for ALJ review. Managers in hearing offices that implemented the initiative during phase one recommended to phase two and three hearing offices that they prepare extra cases for ALJs prior to implementing the initiative. Despite this feedback, SSA management did not ensure that extra cases were prepared for ALJs. Consequently, ALJs in phases two and three hearing offices also had too few cases prepared for their review when the initiative was implemented.

A second problem, poorly timed and insufficient staff training, contributed to process delays. While over 2,000 individuals were trained for new responsibilities given to them as a result of the Hearings Process Improvement initiative, much of this training was poorly timed and was provided too early or too late. For example, some employees waited up to 5 months after the initiative was implemented to receive training. In addition, many employees indicated that the training was ineffective and did not prepare them for their new responsibilities, according to SSA’s Office of Workforce Analysis.²⁵ These training-related problems were not resolved before implementation continued.

²⁴As noted earlier, we recommended that SSA further focus its efforts on the most promising initiatives, including those that would improve the quality and consistency of its disability decisions and test promising concepts at only a few sites before moving to large-scale testing or implementation.

²⁵See Social Security Administration, Office of the Deputy Commissioner for Disability and Income Security Programs, *Implementing a New Hearing Process in OHA: Hearings Process Improvement Phase 1 Implementation Report*, (Baltimore, Md.: SSA, Oct. 2000).

Finally, problems encountered during the initiative's implementation were exacerbated by the fact that the automated functions necessary to support initiative changes never materialized. Enhanced automated functions could have facilitated the tracking and monitoring of cases and the transfer of case-related data. However, these functions that would have facilitated faster processing of cases were not available as designed, although they had been included in the initiative's plan. Again, SSA management failed to resolve this problem before continuing to implement the initiative.

Hearing offices' performance may also have been affected by a poor relationship between SSA and the ALJs. In January 2001, the Social Security Advisory Board recommended that SSA improve its relationship with the ALJs by changing its relationship from one of confrontation to cooperation.²⁶ A poor relationship between SSA and the ALJs may have contributed to a lack of stakeholder support for the Hearings Process Improvement initiative. Among ALJs there was mixed support for the initiative. Many ALJs indicated that the ALJ union was organized in 1999 in response to the perception that SSA excluded them in the formation of the Hearings Process Improvement initiative. However, SSA officials disagreed with this assertion and said that ALJs were included during the formation of the initiative.

Finally, the difficulties SSA is experiencing under the Hearings Process Improvement initiative may also have been made worse by a freeze on ALJ hiring.²⁷ Since April 1999, this hiring freeze has prevented SSA from hiring new ALJs to replace those who have retired. However, the hiring freeze was temporarily lifted, thereby allowing SSA to hire 126 ALJs in September 2001. The freeze is still in effect and may impact hearing offices' future performance.

In an attempt to address its problems in implementing the Hearings Process Improvement initiative, SSA management in March 2001 allowed hearing offices to modify elements of the initiative in hopes of facilitating

²⁶See Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (Washington, D.C.: SSAB, Jan. 2001).

²⁷Litigation brought before the Merit Systems Protection Board in the case of *Azdell v. OPM* questions the method that the Office of Personnel Management used to compute the veterans' preference in the ranking of ALJ candidates. As a result, OPM has been unable to provide a list of qualified ALJs that SSA uses to hire ALJs. As a result, SSA has experienced a hiring freeze.

and speeding case processing. For example, instead of cases being handled exclusively within the smaller processing group, SSA allowed them to be handled by individuals outside of the group. This undercut the rationale behind the processing groups, which was to heighten accountability. In addition, with the intention of allowing more cases to reach ALJs, hearing offices were allowed to reduce the level of screening and analysis prescribed by the initiative before cases go to the ALJs. These modifications contradict some of the original objectives of the initiative. In addition, these modifications make it difficult to tell if the concepts in the initiative as designed can ever be effective because it has not been implemented as intended. SSA is currently evaluating the Hearing Process Improvement initiative to determine what lessons can be learned and what changes need to be made.

Despite these modifications, case processing has slowed and contributed to the backlog. SSA's current backlog is reminiscent of a crisis-level backlog in the mid 1990's, which led to the introduction of 19 temporary initiatives designed to reduce OHA's backlog of appealed cases. These temporary initiatives introduced new procedures and reallocated staff. Among the most long-standing of these initiatives was the Senior Attorney Program. Under this program, selected attorneys reviewed claims to identify those cases in which the evidence already in the case file supported a fully favorable decision. Senior Attorneys had the authority to approve these claims without ALJ involvement. The Senior Attorney Program took effect in fiscal year 1995 and was phased out in 2000. During its existence, the program succeeded in reducing the backlog of pending disability cases at the hearing level by issuing some 200,000 hearing-level decisions. However, findings on the accuracy of Senior Attorney decisions are mixed. One study concluded that the quality of decisions made by Senior Attorneys generally increased over the period of the initiative, though falling short of the quality of decisions made by the ALJs.²⁸ A second study indicates that the quality of decisions made by Senior Attorneys is comparable to those made by the ALJs.²⁹ SSA management

²⁸ OQA reviewed about 1,800 Senior Attorney decisions issued from fiscal years 1995 through 2000. OQA's assessment is based on analysis conducted by ALJs who were temporarily detailed to the Disability Hearings Quality Review Process.

²⁹ This study was done by the Appeals Council, which routinely reviews unappealed decisions as a part of the Pre-Effectuation Review. The Pre-Effectuation Review consists of cases OQA has identified as potentially requiring corrective action. In July 1999, the Appeals Council reported data it had collected from its review of 1,055 unappealed Senior Attorney decisions and 833 favorable on-the-record ALJ decisions issued between August 8, 1995 and July 14, 1999.

has expressed concern that the Senior Attorney Program is a poor allocation of resources as it diverts attorneys from processing more difficult cases in order to process the easier cases.

Finally, SSA faces several challenges that may exacerbate the current backlog problem. First, recent legislative changes may increase workloads, according to SSA officials.³⁰ Certain Medicare coverage revisions may increase hearing office workloads by introducing a new type of case for ALJs to review. This new type of case requires ALJs to review determinations of whether or not a particular item or service will be covered by Medicare.³¹ SSA officials said that this new workload presents many challenges for OHA because ALJs will be reviewing policy instead of individual cases and conducting adversarial hearings. Originally expected to take effect in October 2001, review of this new type of case has been delayed until regulations are issued. SSA officials hope to isolate the impact of this new caseload to a separate hearing office unit. Second, future revisions to the Medicare appeals process may also increase hearing offices' workload by broadening the circumstances under which Medicare cases can be appealed, as well as decreasing the amount of time OHA has to make a decision, according to SSA officials. These revisions to the Medicare appeals process will take effect October 2002. Finally, and perhaps most significantly, SSA is facing a workload increase as the baby boom generation reaches its disability prone years, making it all the more vital to resolve this backlog of appealed cases awaiting a decision.

Appeals Council Process Improvement Initiative Moving in the Right Direction, But Has Not Met Goals

The Appeals Council Process Improvement initiative was implemented in fiscal year 2000. The initiative introduced new strategies for processing cases at the Appeals Council with the intent of improving customer service by reducing processing times and pending caseloads. SSA developed six new strategies by which to accomplish this, only two of which are permanent. The four temporary strategies included efforts to add staff resources from other units. However, the focus of the initiative is currently on the two permanent strategies. These two new strategies require staff members to screen for cases eligible for quick action and encourage staff members to discuss difficult cases with adjudicators before preparing more time-consuming written analyses.

³⁰P.L. 106-554, *Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000*. Section 521 revises the Medicare appeals process. Section 522 revises the Medicare coverage process.

³¹This new type of case is referred to as a local coverage determination.

The Appeals Council Process Improvement initiative has reduced both the time required to process a case and the backlog of cases awaiting review. However, the results on both fall short of goals. Processing time in the Appeals Council was reduced from 458 days (fiscal year 1999) to 447 days (fiscal year 2001), still falling short of the fiscal year 2001 goal of 285 days. The backlog of cases awaiting review was reduced from 144,500 (fiscal year 1999) to 95,400 (fiscal year 2001) but falls short of the fiscal year 2001 goal of 51,100 cases.

According to SSA officials, the impact of the initiative was limited by a number of factors. First, the initiative originally included the temporary addition of outside staff to help process cases. This additional support, however, did not fulfill expectations and has been discontinued. In addition, SSA officials indicated that the initiative's impact was limited by automation problems and policy changes. For example, data storage and retrieval problems, as well as an inefficient and error-prone case tracking system, caused process delays. Also, recent policy changes modified how appealed cases are processed when the claimant has filed a subsequent application. According to SSA officials, these policy changes raise complicated adjudicative issues that require more time to resolve.³² However, SSA management has taken action to resolve these problems, which SSA officials believe should enhance future progress.

SSA Has Not Developed a Comprehensive Quality Assurance System

SSA's original plan to redesign the disability claims process issued in 1994 called for SSA to undertake a parallel effort to revamp its existing quality assurance system. Progress to date, however, has been limited to a contractor's assessment of SSA's existing quality assurance practices. This assessment was completed in March 2001. SSA subsequently established an executive work group to consider what action to take in response to the contractor report.

Accurate disability decisions are an essential element of good public service, and SSA has in place several quality review systems to measure the accuracy of disability decisions made by DDSs and ALJs. At the same time, SSA has long recognized the limitations of its existing quality

³²Under SSA's new policy (effective Dec. 1999), subsequent applications are kept separate from the original application, resulting in two cases pending at different levels of the process. According to SSA officials, having two files for the same claimant raises complicated adjudicative issues requiring more time to resolve.

assurance processes and expressed the desire to improve these processes. In its several revisions to the 1994 redesign plan, SSA continued to voice the need to develop a more comprehensive quality assurance system focused on building in quality as disability decisions are made and improving quality reviews after decisions are made. In its latest disability management plan, issued in January 2001, SSA stated that its quality assurance system needed to more effectively promote uniform and consistent disability decisions across all geographic and adjudicative levels. We have also recognized that these systems are limited and need to be improved.³³

Yet, SSA has made very little progress in developing such a system, at least in part due to considerable disagreement among internal and external stakeholders on how to accomplish this difficult objective. As a first step, SSA contracted with an independent consulting firm with expertise in designing and developing effective quality assurance systems to assess SSA's quality assurance practices used in the disability claims process.³⁴ In March 2001, the consulting firm issued its final report.

The consulting firm's report concluded that SSA could only achieve its quality objectives for the disability program by adopting a broad, modern view of quality management. While SSA's existing quality assurance practices focus on identifying errors, the broader concept of quality management encompasses all of the efforts of an organization to produce quality products. The consulting firm outlined seven requirements of a "best-practice" quality management system and concluded that SSA's existing system is "substantially deficient" in the extent to which it satisfies each of the requirements. A best practice quality management system for SSA's disability claims process would

- develop a clear operational definition of quality with multiple dimensions, such as accuracy, timeliness, efficiency, customer service, and due process;
- develop and support performance measures that are closely tied to the definition of quality;

³³U.S. General Accounting Office, *Social Security Disability: SSA Must Hold Itself Accountable for Continued Improvement in Decision-making*, GAO/HEHS-97-102, (Washington, D.C.: Apr. 12, 1997) and GAO/HEHS-99-25.

³⁴The Lewin Group and Pugh Ettinger McCarthy Associates, LLC.

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- support a quality focused culture—that is, employees and management rather than just the designated quality department must be responsible for quality. Managers in every component must champion the common quality objective; provide information that can be used to improve the disability decision-making process and disability policy;
 - provide employees with the resources to produce quality outcomes and service and value employees for their contribution to success;
 - ensure that the disability programs are national programs. This should include a measurement system that can identify variation and a systematic effort to address variation when it is identified;
 - support statutory and regulatory requirements. This goes beyond measuring performance as required by statute to providing information that can address congressional concerns, assist in the analysis of proposed legislation, and support the monitoring and evaluation of its implementation.

SSA agreed that it is appropriate and necessary for the agency to go forward toward transforming the existing quality assurance program into a broader quality management model. The agency established an executive work group to decide a future course of action.

Conclusions

Since 1994, SSA has introduced a wide range of initiatives in an effort to redesign its disability claims process. In spite of the significant resources SSA has dedicated to improving the disability claims process, the overall results—including the results from the five initiatives that are the subject of this report—have been disappointing. We recognize that implementing sweeping changes such as those envisioned by these initiatives can be difficult to accomplish successfully, given the challenge of overcoming an organization's natural resistance to change. But the factors that led SSA to attempt the redesign—increasing disability workloads in the face of resource constraints—continue to exist today and will likely worsen when SSA experiences a surge in applications as more baby boomers reach their disability-prone years.

Today, SSA management faces crucial decisions on how to proceed on a number of these initiatives. We agree that SSA should not implement the Disability Claim Manager at this time, given its high costs and the other practical barriers to implementation at this time. We also agree that the Appeals Council Process Improvement initiative should continue, but with increased management focus and commitment to achieve the initiative's performance goals. Deciding the future course of action on each of the remaining three initiatives presents a challenge to SSA. For example, in the next several months, SSA will face a decision on how to proceed with

the Prototype initiative. Preliminary results indicate that this initiative has the potential to achieve its objective of significantly reducing the time it takes for claimants to receive final decisions from SSA on their claims—first, by awarding more legitimate claims at the initial DDS level and second, by moving denied claims to the ALJ quicker. However, if the Prototype is expanded nationwide in its current form, both benefit and administrative costs will increase. SSA faces the challenge of finding a way to retain the Prototype’s most positive elements while also reducing its impact on costs.

We are most concerned about the failure of the Hearings Process Improvement initiative to achieve its goals. Hearing office backlogs are fast approaching the crisis levels of the mid-1990’s. At that time, SSA took a series of actions that, at least in the short term, reduced the backlog. However, SSA has yet to take actions to successfully address the current problem on either a short-term or long-term basis. As a result, the problem will likely worsen. We also are concerned about SSA’s lack of progress in developing a comprehensive quality assurance system. SSA’s progress has been slow, despite the agency’s long-term recognition that such a system is needed. Without such a system, it is difficult for SSA to ensure the integrity of SSA’s disability claims process.

Finally, given the limited overall success that SSA has experienced in implementing initiatives to improve its disability claims process over the last 7 years, it may be time for the agency to step back and reassess the scope of its basic approach. SSA’s past and current focus on changing the steps and procedures of the process and adjusting the duties of its decision-makers has not been effective to date. A new analysis of the fundamental issues impeding progress may help SSA identify areas for future action. Such an analysis might include careful consideration of the areas previously identified by the Social Security Advisory Board, such as the fragmentation and structural problems in SSA’s overall disability service delivery system.

Recommendations

To best ensure that SSA’s disability decision-making process initiatives improve customer service by providing more timely and accurate processing of claims, we recommend that SSA take the following actions:

- Implement short-term strategies to immediately reduce the backlog of appealed cases in the Office of Hearings and Appeals. These strategies could be based on those that were successfully employed to address similar problems in the mid-1990’s.

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- Develop a long-range strategy for a more permanent solution to the backlog and efficiency problems at the Office of Hearings and Appeals. This strategy should include lessons learned from the Hearings Process Improvement initiative, the use of limited pilot tests before implementing additional changes nationwide, and consideration of some of the fundamental, structural problems as identified by the Social Security Advisory Board.
 - Develop an action plan for implementing a more comprehensive and sophisticated Quality Assurance Program. This plan should include among other things implementation milestones and estimated resource needs.

Agency Comments

SSA agreed with our report's observations and recommendations. The agency commented that our recommendations support programmatic changes under discussion and provide SSA with the necessary latitude to implement them. With regard to specific recommendations, SSA agreed that it is critical for SSA to reduce the backlogs at OHA and stated that it plans to examine its past experiences with prior initiatives and activities to help develop both short-term and long-term strategies to address the problem. A major focus of its long-term strategy will be to redirect significant resources, within budget limitations, to developing and enhancing technology to support the disability case process at OHA and the Appeals Council. While we agree with SSA's efforts to improve its technological support of the disability case process, we believe that technology improvements alone will not sufficiently address the problems at OHA. The agency will also need to focus on addressing the more fundamental management issues and structural problems that contributed to the backlog of appeals at OHA and the Appeals Council.

SSA also agreed with our recommendation that it should develop an action plan for implementing a more comprehensive and sophisticated Quality Assurance Program. The Commissioner charged the executive workgroup with defining the components of quality performance and developing specific pilots that would test several of the Quality Assurance redesign options being considered. SSA stated that action plans, implementation milestones, and resource needs for these pilots are currently being drafted.

In addition to its comments on our recommendations, SSA also made technical comments on our draft report, which we have incorporated when appropriate. One particular technical comment made by SSA that we did not incorporate warrants explanation. We compare the results on the accuracy of decisions made under the Prototype with those made by the comparison group operating under the traditional process. SSA suggested that we also compare performance over time—that is, before and after implementation. While adding this comparison would slightly alter the relative difference between the Prototype and comparison groups of DDSs, the end result as described in our report remains the same. Prototype DDSs performed better overall and on denied claims but less well on awards.

We are sending copies of this report to the Commissioner of the Social Security Administration and other interested parties. We will also make copies available to others on request. If you or your staff have any questions about this report, please contact me on (202) 512-7215 or Kay Brown at (202) 512-3674. Key contributors to this report were Ellen Habenicht, Angela Miles, and Corinna Nicolaou.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert E. Robertson". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Robertson".

Robert E. Robertson, Director
Education, Workforce, and
Income Security Issues

Appendix I: Comments from the Social Security Administration



SOCIAL SECURITY

Office of the Commissioner

February 8, 2002

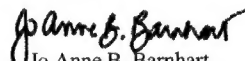
Mr. Robert E. Robertson
Director, Education, Workforce, and
Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Robertson:

Thank you for the opportunity to review and comment on the draft report, "Social Security Disability: Disappointing Results from SSA's Efforts to Improve the Disability Claims Process Warrant Immediate Actions" (GAO-02-322). The General Accounting Office fairly describes in the report the results of disability claims process initiatives undertaken by the Agency. We believe your recommendations support programmatic changes under discussion and provide the Agency with the necessary latitude to address implementation.

Our specific comments on the report recommendations are enclosed. We also offer some technical comments that are intended to improve the accuracy of the report. If you have any questions, please have your staff contact Trudy Williams at (410) 965-0380.

Sincerely,


Jo Anne B. Barnhart
Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION WASHINGTON D.C. 20254

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE
GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT, "SOCIAL SECURITY
DISABILITY: DISAPPOINTING RESULTS FROM SSA'S EFFORTS TO IMPROVE
THE DISABILITY CLAIMS PROCESS WARRANT IMMEDIATE ACTIONS"
(GAO-02-322)

Recommendation 1

SSA should implement short-term strategies to immediately reduce the backlog of appealed cases in the Office of Hearings and Appeals (OHA). These strategies could be based on those that were successfully employed to address similar problems in the mid-1990s.

Comment

We agree that it is critical to reduce the backlogs at OHA and will be looking at the Agency's experiences with prior initiatives and activities to help develop both short-term and long-term strategies to address these issues.

Recommendation 2

SSA should develop a long-range strategy for a more permanent solution to the backlog and efficiency problems at the OHA. This strategy should include lessons learned from the Hearings Process Improvement initiative, the use of limited pilot tests before implementing additional changes nationwide, and consideration of some of the fundamental, structural problems as identified by the Social Security Advisory Board.

Comment

We concur regarding the need to develop a long-range strategy for more permanent solutions to backlogs in the appeals process. A major focus will be to redirect significant resources within budget limitations to technology developments and enhancements at the appeals end of the disability case process (OHA and Appeals Council reviews).

Recommendation 3

SSA should develop an action plan for implementing a more comprehensive and sophisticated Quality Assurance Program. This plan should include, among other things, implementation milestones and estimated resource needs.

Comment

We concur. Following the contractor's report in March 2001, the Agency established an executive workgroup to review and assess the contractor's findings and recommendations and prepare a set of options for proceeding with quality assurance (QA) redesign. The workgroup has met with and briefed the Commissioner on its deliberations. As a result

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of this briefing, the Commissioner charged the workgroup with further defining the components of quality performance and developing specific pilots that would test several of the QA redesign options being considered. Action plans, implementation milestones and resource needs for these pilots are currently being drafted.

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